



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**www.bpu.state.nj.us**

IN THE MATTER OF THE PETITION OF  
LEVEL 3 COMMUNICATIONS, LLC AND  
LOOKING GLASS NETWORKS, INC.  
FOR GRANT OF THE AUTHORITY TO  
COMPLETE A SERIES OF  
TRANSACTIONS RESULTING IN THE  
TRANSFER OF CONTROL OF AN  
AUTHORIZED CARRIER

**TELECOMMUNICATIONS**  
**ORDER OF APPROVAL**

DOCKET NO. TM06060451

(SERVICE LIST ATTACHED)

BY THE BOARD:

On June 13, 2006, Level 3 Communications, LLC ("Level 3"), and Looking Glass Networks, Inc. ("LGN") (collectively, "Petitioners"), pursuant to N.J.S.A. 48:2-51.1 and 48:3-10, filed a petition for the Board's approval of the indirect transfer of control of LGN to Level 3. Following the transfer, LGN will retain its authorization to provide service in New Jersey.

**BACKGROUND**

LGN is a Delaware corporation with its principal place of business located at 1111 West 22nd Street, Suite 600, Oak Brook, Illinois 60523. LGN is a wholly owned subsidiary of Looking Glass Networks Holding Co., Inc. ("LGN-Parent"), a privately held Delaware corporation with its principal place of business also located at 1111 West 22nd Street, Suite 600, Oak Brook, Illinois 60523. LGN provides data transport services including SONET/SDH, Wavelength and Ethernet as well as high-capacity dark fiber and carrier-neutral collocation. LGN's physically diverse networks provide customers with connections to primary carrier hotels, ILEC Central Offices, key enterprise buildings and other major data aggregation facilities. LGN's network includes approximately 2,000 route miles serving 14 major metro markets, with lit connectivity to approximately 215 buildings. LGN also has dark fiber connectivity to approximately 250 additional buildings. In New Jersey, LGN is authorized to provide local exchange and interexchange telecommunications services pursuant to authority granted by the Board in BPU Docket No. TE00050288, issued on April 12, 2001.

Level 3 is a Delaware limited liability company with its principal business offices located in Broomfield, Colorado. Level 3 is a wholly owned subsidiary of Level 3 Financing, Inc., which in turn is a wholly owned subsidiary of Level 3 Communications, Inc., a publicly traded company.

Through its wholly owned indirect operating subsidiaries, Level 3 Communications, LLC ("Level 3-LLC"), WiTel Communications, LLC, WiTel Local Network, LLC, Progress Telecom, LLC, and ICG Telecom Group, Inc. (collectively, the "Level 3-Ops"), Level 3 is a non-dominant carrier that is authorized to provide resold and/or facilities-based telecommunications services nationwide. Level 3 is also authorized by the Federal Communications Commission to provide international and domestic interstate services as a non-dominant carrier. In New Jersey, Level 3 is authorized to provide resold and facilities-based local exchange and interexchange telecommunications services throughout New Jersey pursuant to the Board's Order dated October 20, 1998, in Docket No. TE97120913. As of October 1, 2005, Level 3 had approximately 196 customers in New Jersey, and a total of 16 employees in New Jersey.

Pursuant to the terms of an Agreement and Plan of Merger ("Agreement"), Level 3 will acquire LGN for \$96 Million, including \$87 million in shares of Level 3 common stock and \$9 million in cash. At closing, Level 3 will also pay LGN's liabilities of approximately \$69 million, which are primarily senior secured debt. Upon closing, LGN will become a wholly owned indirect subsidiary of Level 3-LLC, and therefore will become subject to certain financial obligations that currently apply to Level 3-LLC's direct parent, Level 3 Financing, Inc. ("Level 3 Financing"), and Level 3-Ops. Petitioners requested approval to allow LGN to participate in those financing arrangements. Specifically, in connection with the proposed transactions, LGN will pledge its assets as security and/or enter into guaranty arrangements in connection with four existing debt financing arrangements as follows:

- 1) Level 3 Financing's 10.75% Senior Notes due in 2011 in the aggregate principal amount of \$500 million;
- 2) A \$730 million senior secured term loan entered into by Level 3 Financing that matures in 2011, which has an interest rate of LIBOR plus an applicable margin of 700 basis points. (Although only \$730 million has been drawn to date, Level 3-LLC sought and received from this Board approval for up to \$850 million of secured debt in connection with this term loan. LGN seeks that same authority here);
- 3) Level 3 Financing's \$150 million of floating rate Senior Notes due 2011; and
- 4) Level 3 Financing's \$550 million of 12.25% Senior Notes due 2013.

Petitioners state that the proposed transaction is in the public interest and will be seamless and transparent to New Jersey customers. Immediately following the transfer, LGN will continue to offer telecommunications services in New Jersey with no change in the rates or terms and conditions of service. As a result, the financing arrangements described above will be transparent to LGN's customers in New Jersey. Petitioners note that LGN does not have any New Jersey employees. Petitioners also state competition will be enhanced as a result of this transaction. The proposed transactions will provide LGN access to Level 3's substantial technical and management expertise, financial resources, and complementary suite of services. Further, the proposed transactions will enable LGN's customers to benefit from Level 3's national network and broad suite of IP-based services. Together, these benefits will strengthen LGN's ability to expand its offerings and provide more advanced telecommunications services in New Jersey. Petitioners expect that the proposed acquisition will enable both LGN and Level 3 to strengthen their competitive positions in New Jersey to the benefit of the State's telecommunications marketplace. In addition, the metropolitan networks maintained by LGN will allow Level 3 to offer new services to new locations in existing markets and will expand the

reach of the Level 3 backbone network. The proposed transaction therefore facilitates the Board's long-standing goal of fostering facilities-based competition.

### FINDINGS AND CONCLUSIONS

After a thorough review of the petition and all related documents, the Board concludes that there will be no negative impact on rates or service quality since LGN's New Jersey customers will continue to receive the same services from the same entities at the same rates and under the same terms and conditions. Nor will there be a negative impact on competition. Moreover, a positive benefit may be expected from the strengthening of the Petitioners in the telecommunications market. Additionally, the transaction will not have a material adverse impact on employees since LGN does not have New Jersey employees.

Accordingly, after careful review of this matter, the Board FINDS that the transaction will have no material negative impact on competition, the rates of current customers, or on employees. The Board also FINDS that the transfer will have no negative impact on the provision of safe, adequate and proper service, and will positively benefit competition. Therefore, the Board, after investigation, having considered the record and exhibits submitted in this proceeding, FINDS that the proposed transfer and entering into financial arrangements by are in accordance with law and in the public interest. The Board HEREBY ORDERS that the Petitioners shall notify the Board of the closing of the proposed transaction within 7 days of the consummation of the transfer.

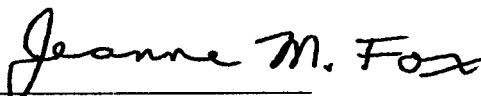
The Board has reviewed the financing transactions proposed to be taken by the Petitioners and concludes that the financing arrangements are necessary and appropriate. Further, the Board FINDS that the financing transactions described above will serve the public interest in promoting competition among telecommunications carriers in New Jersey. The Board HEREBY APPROVES and AUTHORIZES Petitioners to participate in the financings as described above.

This Order is issued subject to the following provisions:


1. This Order shall not affect or in any way limit the exercise of the authority of the Board or of the State in any future petition with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or any other matters affecting the Petitioners.
2. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions or other supporting documents, a default or assignment under such agreement does not constitute an automatic transfer of Petitioners' assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.
3. This order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets now owned or hereafter to be owned by Petitioners.

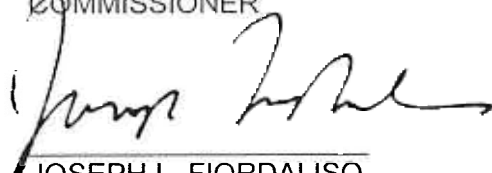
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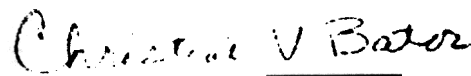
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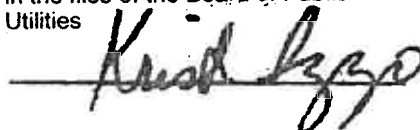
  
JOSEPH L. FIORDALISO  
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CHRISTINE V. BATOR  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
in the files of the Board of Public  
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Docket No. TM06060451

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